

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

COUNCIL OF GOVERNORS

FINANCIAL POSITION: 2009/10 (MONTH 10)

1. EXECUTIVE SUMMARY

This paper sets out the financial position for the 10 months ended 31<sup>st</sup> January 2010.

2. SUMMARY OF FINANCIAL POSITION : 2009/10 (Month 10)

A summary of the financial position is reported below:

<p>a) <b><u>Income and Expenditure</u></b></p> <ul style="list-style-type: none"> <li>• Financial Targets</li> </ul>	<p>An overall Risk Rating of 3.9 was achieved.</p> <p>There was an ‘Earnings before Interest, Depreciation and Amortisation’ (EBITDA) surplus of £56,552k (Plan: £55,616k) and an Income &amp; Expenditure surplus (excluding impairments) of £8,167k (Plan: £7,714k).</p> <p>This is an improvement in variance against Plan of £551k on the Month 8 EBITDA position previously reported and £377k on the Income &amp; Expenditure surplus figure previously reported.</p>
<ul style="list-style-type: none"> <li>• Income Position</li> </ul>	<p>Income was greater than financial plan by £6,549k, due primarily to additional income from service level agreements and medical devices (matched against expenditure), and the recognition of prior year income released from the balance sheet.</p>
<ul style="list-style-type: none"> <li>• Expenditure Position</li> </ul>	<p>Total expenditure was higher than financial plan by £5,614k. Significant items continue to be:</p> <ul style="list-style-type: none"> <li>a) An overspend in Clinical Supplies &amp; Services primarily related to additional activity costs and the procurement of equipment linked to the Transforming Newcastle Hospitals investment programme.</li> <li>b) Additional costs associated with the extended time frame of the e-Record project.</li> <li>c) The cost of Waiting List Initiative payments.</li> <li>d) An overspend in Establishment Expenses, which includes advertising, transport, postage, printing and</li> </ul>

	<p>stationery.</p> <p>The Trust has taken steps to reduce expenditure where possible, having full regard for quality and cleanliness, which will not be compromised.</p> <p>The overspends are offset by:</p> <ul style="list-style-type: none"> <li>a) Additional income.</li> <li>b) A non-cash technical adjustment as a result of implementing International Finance Reporting Standards (IFRS).</li> <li>c) A higher level of vacancies than forecast.</li> <li>d) Slippage on service developments.</li> <li>e) Favourable price and volume variances on the Dalkia Utilities Services plc joint venture energy management contract.</li> </ul> <p>These underspends do not compromise the quality of patient care.</p>
<p>b) <b><u>Cost Efficiency Programme</u></b></p> <ul style="list-style-type: none"> <li>• 2009/10 total efficiency requirement (inc. TNH and amount b/fwd from prior years) = £19m</li> </ul>	<p>There has been and continues to be a significant effort focused on the planning and delivery of the Cost Efficiency Programme over the year. At month 10 there was a forecast shortfall of £225k against the cost efficiency target, with some of the target expected to be achieved non-recurrently in 2009/10.</p>
<p>c) <b><u>Capital Expenditure</u></b></p> <ul style="list-style-type: none"> <li>• 2009/10 Full Year Revised Capital Budget = £57,395k (incl. £5,774k unspent monies from 2008/09)</li> </ul>	<p>At 31<sup>st</sup> January the Trust had incurred capital expenditure of £30,687k against a plan of £44,908k. There is expected to be significant slippage in expenditure, including externally funded schemes. A revised capital forecast of £38,316k was presented to the December Board.</p>
<p>d) <b><u>Financial Risk Ratio</u></b></p> <ul style="list-style-type: none"> <li>• Consolidated Risk Rating, measures on a range of 1 (lowest rating) to 5 (highest rating).</li> </ul>	<p>The Risk Rating at the end of January was 3.9, reflecting an outcome which demonstrates a more than satisfactory performance.</p>
<p>e) <b><u>Liquidity</u></b></p>	<p>The cash balance at 31<sup>st</sup> January 2010 was £60m, invested in the Paymaster General Account and commercial banks at rates of up to 1.25%.</p>

3. RECOMMENDATION

To i) receive the Month 10 financial position for 2009/10, ii) note the improvement in the financial position and iii) note that the improvement must be maintained in order to deliver the year end financial goals.

**Helen Ripley**  
**Senior Assistant Finance Director**  
**11<sup>th</sup> March 2010**